AUDITORS' REPORT

Office of the State Comptroller

FISCAL YEARS ENDED JUNE 30, 2023, 2024, AND 2025

STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor

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State Auditor

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AUDITORS OF PUBLIC ACCOUNTS

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September 8, 2026

INTRODUCTION

We are pleased to submit this audit of the Office of the State Comptroller (OSC) for the fiscal years ended June 30, 2023, 2024, and 2025 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of the State Comptroller during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Zach Correll
Tyler Flanagan
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Principal Auditor

Approved:

John C. Geragosian
State Auditor

Craig A. Miner
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STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Office of the State Comptroller disclosed the following three recommendations, of which one was repeated from the previous audit.

Finding 1

Outdated Guidance to State Agencies

Background

The Office of the State Comptroller (OSC) issues statewide accounting and internal control guidance to support agency financial operations and compliance with state and federal financial reporting requirements. Key guidance documents include the State Accounting Manual, Internal Control Guide, and Internal Control Questionnaires. State agencies use these resources to establish accounting procedures and document and evaluate the effectiveness of internal controls. OSC also periodically issues memorandums to communicate updates to accounting standards, state policies, and reporting requirements.

Criteria

Section 3-112 of the General Statutes assigns the State Comptroller responsibility for prescribing accounting procedures, maintaining the state's accounting system, and exercising accounting oversight over state agencies. These responsibilities require the Comptroller to establish and maintain current, comprehensive accounting policies and guidance for statewide use.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for state governments. Statewide accounting guidance should incorporate these standards to ensure consistent and proper implementation by state agencies.

The US Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government (Green Book) provides an authoritative framework for internal control for governmental entities and reflects widely accepted standards for the design and implementation of internal control systems. The Green Book requires management to implement control activities through policies and procedures and communicate quality information necessary for personnel to carry out internal control responsibilities. Consistent with these standards, agencies should maintain current, complete policies and guidance and communicate them effectively to support the design and operation of internal controls. The Green

Book also requires management to assess fraud risk as part of its internal control system.

Condition

Our review of accounting guidance OSC provided to state agencies disclosed the following:

- OSC has not revised the Internal Control Guide since October 2011. The guide is largely based on the Federal Managers' Financial Integrity Act of 1982, which does not reflect current internal control frameworks, such as the GAO Green Book or one developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- The Internal Control Questionnaires contain obsolete terminology and do not reflect changes in accounting standards, state policies, or federal guidance such as Uniform Guidance. In addition, OSC did not tailor the questionnaires to state agencies, including state policies and systems such as Core-CT. In addition, the questionnaires omit consideration of fraud risk as part of management’s assessment and review of internal controls.

- OSC has not revised the State Accounting Manual since August 2016 and does not include guidance on some recent GASB statements. Although OSC issued memorandums to communicate updates on certain GASB statements, state policies, and state forms, it did not consistently incorporate this information into the State Accounting Manual.

Context

OSC establishes and communicates statewide accounting policies and provides internal control guidance to state agencies. The State Accounting Manual, Internal Control Guide, and Internal Control Questionnaires are used by numerous agencies to develop, implement, and evaluate their accounting practices and internal control systems.

Effect

When OSC does not maintain current and comprehensive guidance, agencies may rely on outdated or incomplete information to design and operate internal controls and record financial activity. This increases the risk of inconsistent practices, noncompliance with requirements, errors, control deficiencies, or misstatements that agencies may not promptly detect.

Cause

OSC has not established adequate procedures to ensure it periodically reviews and updates its internal control and accounting guidance to reflect changes in professional standards and regulatory requirements.

Prior Audit Finding

This finding was not reported in the previous audit.

Recommendation

The Office of the State Comptroller should update its Internal Control Guide, Internal Control Questionnaire, and State Accounting Manual to conform with current internal control frameworks and applicable accounting standards.

Agency Response

"The Office of the State Comptroller (OSC) agrees in part and disagrees in part. The Office's Division of Budget and Financial Analysis (BFA) has worked with the other Divisions over the last several months to update, refresh, and reorganize the State Accounting Manual (SAM). BFA anticipates the updated SAM to be available and posted on the OSC's website by September 2026. With respect to pronouncements issued by the Government Accounting Standards Board ("GASB"), much of the guidance is incorporated throughout the SAM, but not specifically called out. Notifications are sent out to the various state agencies regarding more significant GASB pronouncements with guidance on implementation and impact, which are also posted on OSC's website and available as a supplement to the SAM. BFA also sends out detailed instructions and examples on applying GASB pronouncements on an annual basis with its Generally Accepted Accounting Principles ("GAAP") package, which are used to collect the information needed to prepare the State's financial statements in accordance with all relevant GASB pronouncements.

The OSC acknowledges that the Internal Control Guide (ICM) has not had material updates since 2011. During the period audited, the Office has made significant efforts to move towards a new publication to help guide agencies on internal controls. While the Green Book and other mentioned sources provide good ideas on the topic of internal controls, each of them is similar to ours in that they encourage agencies to develop their own controls while acting as a baseline and guide from which to be built. No centralized ICM could ever contain all the essential internal control, fraud prevention, and risk mitigation tools and techniques that every agency would need to be successful. Mitigation techniques employed by a health and human services agency, for example, would be drastically different and even onerous to an environmental oversight agency, and vice versa. Agencies have always been advised to develop their own workflows and internal questionnaires (ICM Section V, Section VIII Steps Two and Five).

The OSC began considering an upgrade of the ICM in September of 2024 after reviewing the GAO's release of the Standards for Internal Control in the Federal Government 2024 Exposure Draft (Green Book revisions). It identified that there were some significant differences between the proposed Green Book and the Office's current guidance. Because of the complexity of the update (which would have to be sufficiently broad for statewide application), it still provides a good framework and basis for agencies to develop their specific programs. The OSC estimates this to be a three-year project beginning in FY27 and proceeding through FY30. This project plan was presented to the Comptroller and the Governor's Office on July 22, 2025, and October 7, 2025, respectively. The GAO did not make the Green Book revisions effective until October 2025. The OSC believes that it is still within an acceptable timeframe for updating the statewide guidance to comply with the new federal standards. Detailed documentation of the project from Jan 2025 to present is available for APA review."

Auditors' Concluding Comments

While we acknowledge that OSC issues memorandums and other guidance to state agencies regarding significant GASB pronouncements, incorporating this information into the State Accounting Manual would provide agencies with a comprehensive source of statewide accounting guidance and reduce the risk that agencies may overlook or not be aware of applicable requirements. In addition, although not every GASB pronouncement significantly affects state agency operations, the State Accounting Manual should include guidance, as appropriate, to promote consistent application of relevant accounting standards.

We agree that a statewide Internal Control Guide and Internal Control Questionnaires cannot address every internal control, fraud prevention, and risk mitigation practice needed by individual agencies. However, the current guide and questionnaires do not address fraud risk and incorporate statewide policies or Core-CT processes that are broadly applicable to most state agencies. Updating these resources would provide state agencies with a stronger foundation to develop and evaluate specific controls for their operations.

Finding 2

Statewide Physical Inventory Compliance

Criteria

Section 4-36 of the General Statutes requires each state agency to establish and maintain an inventory account in the form prescribed by the State Comptroller. The Office of the State Comptroller establishes and maintains the State Property Control Manual, which applies to all branches of government and prescribes property control requirements for state agencies.

The State Property Control Manual requires agencies to conduct an annual physical inventory of all property and update the Core-CT system to reflect inventory results. As part of this process, Core-CT records the date each asset was last physically inventoried. The manual also required agencies to submit written procedures for conducting their physical inventory to OSC by January 1, 2025.

Condition

Our review of statewide assets recorded in Core-CT identified 62,884 assets (38.7 percent), with a total cost of $2.84 billion, that agencies did not physically inventory during fiscal year 2025. Of these, 19,750 assets (12.2 percent), with a total cost of $1.49 billion, had no recorded physical inventory date in Core-CT, indicating that agencies did not physically inventory these assets or did not properly follow the physical inventory process.

For physical inventories, the Office of the State Comptroller required agencies to submit written procedures by January 1, 2025; however, as of May 2026, 50 agencies (87.7 percent) had not submitted these procedures.

Context

We analyzed 162,477 assets recorded in Core-CT, with a total cost of $8.87 billion. Fifty-seven agencies report annual inventory information to the Office of the State Comptroller.

Effect

When agencies do not perform complete physical inventories or properly document inventory results in Core-CT, there is an increased risk that capital asset records will be inaccurate or incomplete, resulting in a reduced ability to ensure the existence, location, and safeguarding of state property.

Cause

Although the Office of the State Comptroller establishes statewide requirements for conducting annual physical inventories, there are limited enforcement mechanisms and oversight activities, resulting in inconsistent compliance by state agencies.

Prior Audit Finding

This finding was not reported in the previous audit.

Recommendation

The Office of the State Comptroller should strengthen oversight of the physical inventory process by implementing procedures to monitor state agency compliance with annual inventory requirements and submission of written inventory procedures in accordance with statewide policy.

Agency Response

"OSC disagrees with the finding that agencies did not physically inventory statewide assets. The APA made this conclusion based on the lack of a physical inventory date in Core-CT. The field used for this determination is not a required field for physical inventory. The requirements, as specified in the Property Control Manual (PCM) include, from Chapter 4 – Physical inventory are: Establish a time table and coordinate efforts with all agency divisions to conduct the physical inventory; A defined "Segregation of Duties" must be identified and followed; Establish a plan within each division to guarantee all assets have been identified during the physical inventory process; Establish procedures for supervisors on how to review the accuracy of the physical inventory; Define procedures for record retention and audits of physical inventories. The PCM lists agency responsibility for reporting to the OSC in the Scope section of the Overview as "3. The preparation and timely submission of the Annual Report (Form CO-59 Fixed Assets/Property Inventory Report/GAAP Reporting Form) of all Real Property regardless of cost and Personal Property having a cost of one thousand or more for assets acquired prior to July 1, 2015, and effective July 1, 2015, personal property having a cost of five thousand dollars or more" and "4. The reporting of adjustments to Real and Personal Property Form CO-853 (Section 4-33a of the General Statutes of Connecticut)." Finding two also includes that agencies are required to submit their inventory policies to the OSC and that as of May 2026 87.7% had not submitted these policies. The OSC agrees that agencies have not complied with this requirement and has taken action to remedy the situation. As of June 20, 2026, the OSC has received 15 agency inventory policies and continues to follow up with the other 54 non-compliant agencies."

Auditors' Concluding Comments

While agencies do not manually enter the physical inventory date in Core-CT, the system populates this field when agencies properly complete their physical inventory process. Therefore, the absence of a physical inventory date indicates the asset was not physically inventoried or the agency did not properly complete the physical inventory process in Core-CT.

Core-CT serves as the state's primary accounting system, and property records maintained therein should provide reliable support for demonstrating compliance with statewide inventory requirements. If compliance with annual physical inventory requirements cannot be demonstrated through Core-CT, the Office of the State Comptroller cannot provide reasonable assurance that agencies are fulfilling their statutory responsibilities. The office's inability to verify statewide compliance represents a significant weakness in accountability over the state's reported capital assets.

Finding 3

Software Inventory

Criteria

Chapter 5 of the State Property Control Manual requires agencies to perform an annual inventory of software assets and an annual audit of the centralized software library before the close of each fiscal year. The manual also requires agencies to maintain a Software Asset Management Policy that establishes agency audit procedures and defines the structure of the software library. Memorandum No. 2024-13 required agencies to submit the policy to the Office of the State Comptroller, Central Accounts Payable, by June 1, 2025.

Chapter 5 of the State Property Control Manual further requires agencies to retain software inventory and audit documentation for at least three years and make the records available to the Auditors of Public Accounts upon request.

Condition

Our review of the Office of the State Comptroller's software inventory and software policy found the following:

- The Office of the State Comptroller did not retain software inventory records for fiscal year 2024.
- The fiscal year 2023 and 2025 software inventory reports lacked sufficient documentation to determine when the office completed the inventories. The reports also did not identify the preparer and lacked evidence of supervisory review or approval to demonstrate adequate separation of duties.
- The Office of the State Comptroller did not maintain documentation demonstrating that annual software inventory results were used to audit the centralized software library or that it updated the software library based on the inventory results.
- The Office of the State Comptroller did not submit a Software Asset Management Policy to the Office of the State Comptroller, Central Accounts Payable, by the June 1, 2025, deadline.
- The software policy, established in 2004, does not contain software inventory procedures or define the structure of the software library as required.

Context

The Office of the State Comptroller reported $109.9 million in capitalized software as of June 30, 2025.

Effect

Failure to maintain adequate software inventory and audit documentation increases the risk that software assets are not properly accounted for, and that the software library does not accurately reflect software deployed within the agency. As a result, management may be unable to demonstrate compliance with software asset management requirements.

Cause

The Office of the State Comptroller did not comply with software asset management and record retention requirements established in the State Property Control Manual.

Prior Audit Finding

This finding has previously been reported in the last audit report covering the fiscal years 2020 through 2022.

Recommendation

The Office of the State Comptroller should strengthen internal controls to ensure it complies with the software inventory requirements in the State Property Control Manual.

Agency Response

"The OSC agrees with the finding. The OSC maintains a listing of its software inventory but neglected to sign off on the report to properly document the completion of physical inventory. The OSC will ensure that proper documentation is maintained to support the physical inventory of its software. The OSC will also update its current software policy to align it with all current requirements and will share the updated policy to the Office's Central Accounts Payable Division, as required."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Office of the State Comptroller contained two recommendations. One has been implemented or otherwise resolved and one has been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Office of the State Comptroller should submit required Core-CT system reports in accordance with Section 3-115e of the General Statutes.	RESOLVED
The Office of the State Comptroller should comply with the software inventory requirements in the State Property Control Manual or update the manual to conform with its newly implemented process.	REPEATED Modified Form Recommendation 3

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of the State Comptroller in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2023, 2024, and 2025. The objectives of our audit were to evaluate the:

1. Office's internal controls over significant management and financial functions;

2. Office's compliance with policies and procedures internal to the office or promulgated by other state agencies, as well as certain legal provisions; and

3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue and cash receipts, accounts receivable, purchasing and expenditures, asset management, reporting systems, and information technology. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the office. We also tested selected transactions. Our transaction selections were designed to provide sufficient and appropriate evidence to support our findings, conclusions, and recommendations. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the office's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;

2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Office of the State Comptroller.

ABOUT THE AGENCY

Overview

The Office of the State Comptroller operates primarily under the provisions of Article Fourth, Section 24 of the State Constitution and Title 3, Chapter 34 of the General Statutes. The mission of the Office of the State Comptroller is to provide accounting and financial services, administer employee and retiree benefits, develop accounting policy and exercise accounting oversight, and prepare financial reports for state, federal and municipal governments and the public. This report focuses primarily on the departmental operations of the Office of the State Comptroller. Our audits of retirement services, healthcare policy and benefit services, and financial operations are issued separately and are not included within this report.

Organizational Structure

During the audited period, the office consisted of six divisions: Central Accounts Payable, Budget and Financial Analysis, Healthcare Policy and Benefit Services, Information Technology, Statewide Payroll & Time Management Division, and Retirement Services. As noted above, reviews of the Healthcare Policy and Benefit Services and Retirement Services divisions are not included in this report.

Sean Scanlon was elected State Comptroller in November of 2022 and was sworn in on January 4, 2023. He continues to serve in that capacity. Prior to his election, Natalie Braswell served as the State Comptroller.

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- Public Act 22-118 (Section 143) effective May 7, 2022, established the Connecticut Premium Pay program, to be administered by the Office of the State Comptroller or a third-party administrator. The program would provide one-time payments, after October 1, 2022, ranging from $200 to $1,000 to eligible essential workers based on income and available funding.

Financial Information

General Fund Receipts

A summary of General Fund receipts during the audited period follows:

	Fiscal Year Ended June 30,		
	2023	2024	2025
Receipts:			
Employee Fringe Benefits	$ 53,935,271	$ 34,007,954	$ 29,310,558
Indirect Overhead – Federal Projects	18,308,485	18,706,358	23,276,800
Workers' Compensation	6,903,156	8,367,609	8,508,021
Unemployment Compensation	2,805,734	80,539	58,278
Other Revenues	20,344	18,257	9,031
Refunds:			
Refunds of Prior Year Expenditures	296,504	111,542	343,410
Refunds of Health Insurances	28,389	19,235	13,923
Refunds of Payments	14,158	(2,844)	(12,795)
Total	**$ 82,312,041**	**$ 61,308,650**	**$ 61,507,226**

Receipts consisted primarily of recoveries of unemployment compensation, workers' compensation, fringe benefit, and indirect costs. The Office of the State Comptroller initially charged these costs to the General Fund and subsequently reimbursed them from federal and other-than-federal restricted accounts and other state funds. The office primarily recovered these costs through the state payroll system based on reports submitted by state agencies, using salaries and wages as the approved indirect cost base. Variations in receipts from year to year were attributable to changes in the amount of salaries charged to federal restricted accounts and other state funds, as well as changes in cost recovery rates.

General Fund Expenditures

A summary of General Fund expenditures during the audited period follows:

	Fiscal Year Ended June 30,		
	2023	2024	2025
Personal Services	$ 27,194,864	$ 26,704,224	$ 28,271,487
Contractual Services and Other Expenses	6,807,542	17,607,274	11,571,939
Total	**$ 34,002,406**	**$ 44,311,498**	**$ 39,843,426**

The increase in expenditures was primarily attributable to approximately $5 million in each of fiscal years 2024 and 2025 for the Paraeducator Health Care Subsidy Program, established and funded by Public Act 23-204. In addition, expenditures in fiscal year 2024 included approximately $4.5 million for the Hartford Flood Relief and Compensation Program.

Special Appropriations Administered by the State Comptroller

In addition to the budgeted and restricted General Fund appropriation accounts used by the Office of the State Comptroller to finance various departmental programs and activities, the office administers numerous nonfunctional appropriation accounts within the General Fund and Special Transportation Funds.

Adjudicated Claims

Under Section 3-7 of the General Statutes, the Governor may authorize the compromise of any claim against the state upon the recommendation of the Attorney General. Section 4-160 of the General Statutes provides for payments of claims based on court judgments entered against the state. In these cases, the state's claims commissioner must grant permission to file suit against the state. For the fiscal years 2023, 2024, and 2025, the Comptroller paid $50,576,501, $56,999,044, and $63,226,701 towards the settlement of claims against the state, respectively.

Unemployment Compensation

The cost of former state employee unemployment benefits is reimbursed to the Unemployment Compensation Benefit Fund from the General Fund for most former state employees and the Special Transportation Fund for former Departments of Transportation and Motor Vehicles employees. During the fiscal years 2023, 2024, and 2025, reimbursements in the amounts of $2,700,519, $3,024,020, and $3,914,456 were made from the General Fund, and $169,573, $197,110, and $204,823 from the Special Transportation Fund, respectively.

During the audited period, a consulting firm served as the addressee of record for all state agencies' unemployment compensation claims for former employees. The consulting firm performed administrative functions, reviewed unemployment claims, attended appeal hearings, and advised various state agencies on such matters. Our office reviews payments from the Unemployment Compensation Benefit Fund as part of our audit of the Department of Labor to verify that payments were properly charged to the employer's account and paid to eligible employees.

Retirement, Healthcare, and Group Life Insurance Benefits

As provided for in Section 5-257 of the General Statutes, the state offers a group life insurance program to state employees, retirees, and members of the General Assembly. The state's share of premiums for this program is charged to appropriations in the General and Special Transportation Funds authorized for this purpose. Our office reviews these activities during our separate audits of the Office of the State Comptroller's - State Employee and Retiree Healthcare and other Benefits.

Tuition Reimbursements – Training and Travel

Most collective bargaining agreements require the state to budget for the costs of continuing education, professional seminars, conferences, and related travel expenses. The Office of the State Comptroller establishes an appropriation account to consolidate the financing of these costs under the State Comptroller. During the fiscal years 2023, 2024, and 2025, expenditures for tuition reimbursement totaled $5,344,042, $3,264,896, and $4,569,537, respectively.

Employer's Social Security Tax

Each fiscal year, the state's share of Social Security costs is charged to General and Special Transportation Fund appropriations authorized for this purpose. The General Fund receives reimbursements from certain federal and state funds or restricted accounts charged with salaries of employees covered under Social Security. The gross payments to the federal government for the employer's share of Social Security taxes determine the rates and wage limits in effect during the audited period. For the fiscal years 2023, 2024, and 2025, total payments of the state's share were $248,984,874, $197,210,988, and $209,192,811 from the General Fund, respectively, and $18,427,353, $18,071,014, and $20,181,469 from the Special Transportation Fund, respectively.

Capital Project Outlays

Capital project fund expenditures were primarily for upgrades to the Core-CT information system as part of the Information Technology Capital Investment Program. This program was established in fiscal year 2013 to counter years of neglect and make strategic investments to upgrade technology and create systems across agencies that make state government more efficient and user friendly. Expenditures for the Capital Investment Program totaled $13,455,703, $25,549,507, and $20,530,171 for the fiscal years 2023, 2024, and 2025, respectively.